

PUBLIC DISCLOSURE

AUGUST 20, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BROCKTON POSTAL EMPLOYEES CREDIT UNION

225 LIBERTY STREET
BROCKTON, MA 02301

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire membership, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **BROCKTON POSTAL EMPLOYEES CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

As an industrial credit union, Brockton Postal Employees Credit Union was evaluated under the following three performance criteria: Net Loan to Deposit Ratio; Lending to Borrowers of Different Incomes and Fair Lending. No geographic criteria were considered. The credit union has identified its assessment area as its membership in accordance with 209 CMR 46.41, which allows credit unions whose membership is based upon affiliation rather than residence to identify their assessment areas in this manner.

The credit union's Composite Rating of "Satisfactory" is based upon the following. The credit union's net loan to deposit (share) ratio has averaged 80.4% for the period beginning December 31, 1999 and ending June 30, 2001. This ratio compares favorably with other postal credit unions of approximately the same size and is therefore considered to meet the standards for satisfactory performance. A review of the credit union's consumer loan portfolio from January 1, 2000 to July 31, 2001, revealed that the distribution of loans to members of different income levels, particularly to those of low and moderate-income levels, was adequate. Finally, no CRA-related complaints have been received since the previous examination and the Fair Lending examination revealed no evidence of discriminatory or illegal credit practices. Fair Lending performance was determined to be satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Brockton Postal Employees Credit Union is a state chartered credit union founded in March 1923, with the mandate of serving the postal employees of the Brockton Postal District.

The credit union has one office located at 225 Liberty Street in Brockton. In addition, the credit union maintains an information office located at 120 Commercial Street in Brockton. The credit union manager maintains office hours in the information office every Wednesday from 1:00 p.m. to 4:00 p.m. The manager reviews and accepts loan applications on site. Office hours at the Liberty Street office are Monday through Wednesday from 8:00 a.m. to 4:00 p.m., Thursday from 7:30 a.m. to 5:00 p.m., and Friday from 7:30 a.m. to 4:00 p.m. The credit union maintains a 24-hour toll free audio response line available for use in Massachusetts and Rhode Island. In addition, the credit union has a web site at www.mypostalcreditunion.com for informational purposes and consumer loan applications.

As of June 30, 2001, the credit union had total assets of \$9.8 million, with a net loan to asset ratio of 67.6 percent. Automobile loans account for 41.0 percent of the credit union's loan portfolio followed by unsecured loans/lines of credit with 24.0 percent, home equity lines of credit with 18.2 percent, first mortgage loans with 13.4 percent, and all other loans with 3.4 percent. The credit union originates residential mortgages with restricted guidelines, which include limited terms of not more than 10-15 years and a loan-to-value ratio of not more than 65 percent. Also, members interested in obtaining other financing are referred to Members Mortgage Company or Arrow Mortgage Company.

The following types of credit are available to the credit union's members: personal unsecured loans, new and used automobile loans, first mortgage loans, home equity loans, share secured loans and recreational vehicle loans.

The Commonwealth of Massachusetts Division of Banks last examined the credit union for compliance with the Community Reinvestment Act on July 8, 1998. That examination resulted in a CRA rating of Satisfactory.

Description of Assessment Area

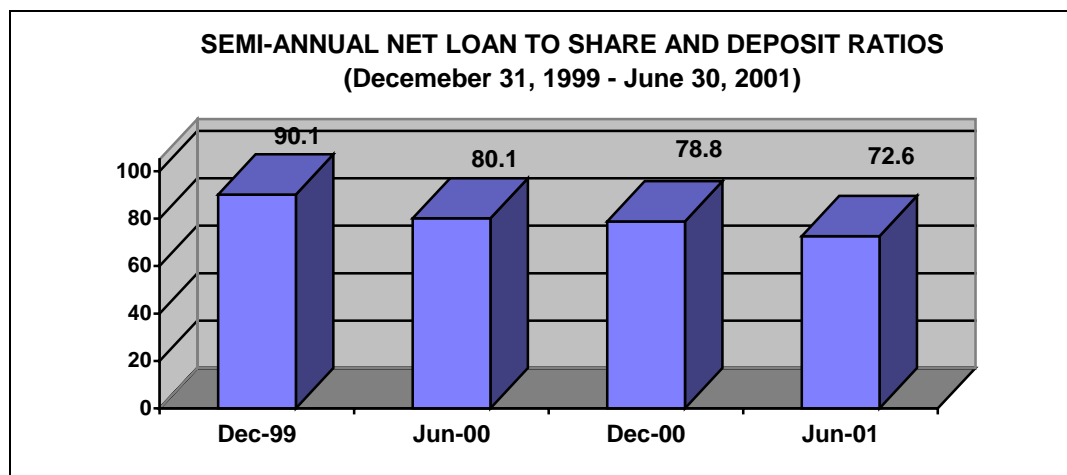
According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may identify its membership as its assessment area. The credit union's by-laws state that membership in the credit union is limited to Classified Career Employees and retired employees of the United States Postal Service with over three (3) months of service who work in either Plymouth, Bristol, Norfolk, Barnstable, Nantucket and Dukes Counties. Membership is also extended to the family members of the eligible member. A family member is defined as a spouse, parent or child. Membership is also extended to credit union employees and their family members. As of June 30, 2001, there were 1,900 members in the credit union. The number of potential members, including family members, is approximately 5,000.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

A comparative analysis of Brockton Postal Employees Credit Union's semi-annual net loan-to-deposit (share) ratios for the period of December 31, 1999 through June 30, 2001 was conducted during this examination. Using the credit union's semi-annual 5300 Reports, the average net loan-to-share and deposit ratio for this period was determined to be 80.4 percent. This ratio is based on loans net of the allowance for loan losses as a percentage of total shares and deposits. The ratio has decreased since the previous examination when it stood at 86.5 percent. Further, the ratio demonstrates a downward trend for the period examined.

The following graph is provided for further information.



The reduction in the credit union's net loan to share and deposit ratio can be attributed to the rapid growth in deposits (23.6%) for the period under review and the decrease in net loans (0.4%) for the same period.

A comparison of the net loan-to-deposit (share) ratio of four other credit unions of similar nature as of June 30, 2001 was also conducted. These other institutions' net loan-to-deposit ratios ranged from a high of 89.2 percent to a low of 52.5 percent for June 30, 2001. Brockton Postal Employees Credit Union's net loan-to-share ratio for the same time period was 72.6 percent.

Institution	Net Loan To Share Ratio
Worcester Postal Credit Union	89.2%
Lynn Postal Employees Credit Union	87.5%
Brockton Postal Employees Credit Union	72.6%
Middlesex-Essex Postal Credit Union-North Reading	68.6%
Holyoke Postal Credit Union	52.5%

Source: NCUA Call Report of June 30,2001

Based on the above information and the credit union's capacity to lend, the capacity of other similarly-situated credit union's to lend to their members, the types of loans available at the credit union, and the lending opportunities available for its membership, the credit union's net loan-to deposit (share) ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the current CRA regulation, a credit union whose membership by-law provisions are not based on residence, such as the Brockton Postal Employees Credit Union, may define its membership as its assessment area. Since Brockton Postal Employees Credit Union has elected to define its membership in this manner, no review of geographic performance criteria was conducted.

3 DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The credit union originated 841 loans in 2000 and 300 loans as of June 30, 2001. The originations include personal loans, automobile loans, home equity loans, and first and second mortgage loans. A sample of 60 consumer loans for Year 2000 and 30 consumer loans for year-to-date July 31, 2001 was reviewed to determine the distribution of credit based on the income levels of the borrower. All of the loans reviewed were extended to members residing in the Boston Metropolitan Statistical Area (MSA), the Brockton MSA, the Providence-Fall River-Warwick RI (MSA), the Barnstable-Yarmouth (MSA) and the New Bedford (MSA). The originations were categorized by the ratio of the applicant's income to the estimated 2000 and 2001 median family income of each MSA. The income

figures in the following table are based on estimated Department of Housing and Urban Development (HUD) information.

MSA	2000	2001
Boston	\$65,500	\$70,000
Brockton	\$57,700	\$61,300
Providence-Fall River	\$49,800	\$52,800
Barnstable-Yarmouth	\$47,700	\$51,700
New Bedford	\$43,600	\$46,300

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median family income level. Upper income is defined as income greater than 120 percent of the median family income level.

According to this analysis, the majority of loans (63.3 percent by number and 59.5 percent by dollar amount) were granted to applicants of low and moderate-income. It should be noted that the vast majority of the consumer loans reviewed were granted to single applicants. Since the income of individual applicants is compared to family median income, there may be some resulting distortion of the data, with low and moderate-income applicants being represented more heavily. Refer to the following tables for further information.

LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	2000		Year-to-date July 31, 2001		TOTAL	
	#	%	#	%	#	%
<50%	12	20.0	3	10.0	15	16.7
50% - 79%	26	43.3	15	50.0	41	45.6
80% - 119%	18	30.0	10	33.3	28	31.1
120% >	4	6.7	2	6.7	6	6.6
TOTAL	60	100.0	30	100.0	90	100.0

Source: Credit Union loan files

LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	2000		Year-to-Date July 31, 2001		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	44	12.2	32	17.0	76	13.9
50% - 79%	158	43.9	92	48.9	250	45.6
80% - 119%	134	37.2	56	29.8	190	34.7
120% >	24	6.7	8	4.3	32	5.8
TOTAL	360	100.0	188	100.0	548	100.0

Source: Credit Union loan files

In addition to consumer lending, a review of 7 first mortgage loans originated during 2000 and year-to-date July 31, 2001 revealed that 2 loans were made to moderate-income members, 3 to middle-income members and 2 to upper-income members.

Based upon the analysis of lending by borrower income, it appears that the credit union's lending is adequately distributed to borrowers of various income levels, including those of low and moderate-income. The credit union is therefore considered to meet the standards for satisfactory performance in this category.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As mentioned previously, since the credit union defines its assessment area as its membership, as opposed to a geographical area, an analysis of credit extended by geography was not conducted.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

RESPONSE TO COMPLAINTS

The credit union has not received any CRA related complaints since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The credit union manager makes a concerted effort to keep the staff aware of all CRA related issues. The credit union employs one full-time and five part-time employees. The

credit union sends out mailings to all post offices within its field of membership on a regular basis to reach as many of its members as possible. A variety of loan products are offered with the newest being its Holiday Loan. Marketing efforts are made through word of mouth and the credit union's new web site www.mypostalcreditunion.com. The credit union currently refers those members in need of credit counseling to the Consumer Credit Counseling Services of Massachusetts (CCCS). The credit committee reviews all declined loan applications and a sample of approvals in order to ensure that policies and procedures are not discriminatory, as well as for quality control purposes. The credit union has contracted an outside CPA firm to review mortgage and consumer loan files quarterly for fair lending issues.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

BROCKTON POSTAL EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **August 20, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.